INTERIM REPORT

FOR SIX MONTHS ENDED

JUNE 30, 1971

CAPITAL DIVERSIFIED INDUSTRIES LIMITED

Formed By Meteor Securities Ltd.
NAME CHANGED, 1969, FROM Capital
BUILDING INDUSTRIES LTD

REPORT TO SHAREHOLDERS

Earnings, sales and operations of Capital Diversified Industries Limited for the first six months of 1971 are summarized in the following report.

EARNINGS

Unaudited operating results for the six months ended June 30, 1971 compared with the same period last year are as follows:

	Six Months Ended June 30	
	1971	1970
Sales	$ 9,628,023	$8,685,685
Other revenue	549,346	878,371
	$10,177,369	$9,564,056
Earnings (loss) before income taxes and extraordinary items	$ (350,496)	154,826
Provision for income taxes	68,100	99,160
Earnings (loss) before extraordinary items	(418,596)	55,666
Extraordinary items:		
Loss on disposal of fixed assets	(1,930)	(903)
Reduction of income taxes as a result of application of prior years' losses	20,800	27,660
Net earnings (loss)	$ (399,726)	82,423
Net earnings (loss) per common share after preference share dividends	$ (.11)	.01

While our operations for the six months continued to result in a loss, the loss for the second quarter was 37% below that of the first quarter notwithstanding the continuation of an adverse business climate. As noted in our first quarter report the requirement that we provide full taxes on profitable operations while being unable to take tax credits in our unprofitable operations further accentuates the unsatisfactory results. These credits may be realized only to the extent we can make profits in the future.

FINANCIAL

In spite of our operating loss for the first six months, all commitments are current and we are not using our total lines of credit.

OPERATIONS

Construction and Development Division

The townhouse construction project for the Ontario Housing Corporation has been completed and the finished units turned over. Housing sales are increasing and we have arranged to purchase serviced building lots in Windsor to cover our requirements for the next three years. In the development area, however, activity is still slow. No new space has been rented in our office building, but we have reason to believe we will see some positive results before year end.

Red Barn Division

No new units were added during the quarter. For the present we are concentrating on the development of profits for those now in operation. Sales continue to show steady improvement.

Pricegard Division

During the second quarter we completed the sale of our warehouse operation and our activities are now solely in the retail field.

Frontier Acceptance Division

Operations continued through the quarter on a profitable basis.

Capital Foods Division

In the face of the so-called "chicken and egg" war we were able to continue sales and profits at a satisfactory level. At the moment there appears to be a shortage of butter, but our sales continue to be acceptable.

OUTLOOK

While general economic conditions remained unchanged, our second quarter showed some improvement. A general improvement in the economy should reflect favorably in the future profitability of the Company's operations. We do not anticipate that any such improvement, however, will be sufficient to result in a profit for the current year.

Yours very truly,

D. H. Swift

August 20, 1971

D. H. Swift
President.

CAPITAL DIVERSIFIED INDUSTRIES LIMITED

Unaudited Consolidated Statement of Source and Use of Funds

	Six Months Ended June 30	
	1971	1970
Funds provided:		
Net earnings (loss) for the period	$ (399,726)	$ 82,423
Add charges not requiring an outlay of funds:		
Depreciation and amortization	180,959	151,295
Amortization of financing expenses	18,540	13,352
Increase in deferred taxes on income	-	900
	(200,227)	247,970
Less income not providing funds:		
Net earnings of unconsolidated finance subsidiary less dividends received therefrom	28,089	39,644
Decrease in deferred income from sale of area licenses	-	12,000
	28,089	51,644
Funds provided from (applied to) operations	(228,316)	196,326
Decrease (increase) in investments:		
Commercial real estate	412,818	(62,064)
Mortgages and notes receivable	465,813	18,154
Other companies	(1,000)	(86,400)
Unconsolidated finance subsidiary	(450)	(4,375)
Disposal of fixed assets	203,232	320,903
Decrease in organization expense and deferred charges	7,669	72,598
Decrease (increase) in deferred financing expenses	17,561	(3,101)
Total funds provided	877,327	452,041
Use of funds:		
Acquisition of fixed assets	173,325	655,986
Decrease (increase) in mortgages and notes payable, including amounts transferred to current liabilities	1,372,011	(49,277)
Increase in excess cost of shares of subsidiaries over equity acquired therein	1,167	140,107
Payment of dividends	-	45,500
Redemption of Class "B" Preference Shares	-	120,000
Total funds used	1,546,503	912,316
Decrease in consolidated working capital	669,176	460,275
Consolidated working capital (working capital deficit) beginning of period	1,193,150	(297,758)
Consolidated working capital (working capital deficit) end of period	$ 523,974	$ (758,033)